



# County of Yolo

[www.yolocounty.org](http://www.yolocounty.org)

HOWARD H. NEWENS, CIA, CPA

AUDITOR-CONTROLLER and  
TREASURER-TAX COLLECTOR

**AUDITOR-CONTROLLER**

PO BOX 1268  
WOODLAND, CA 95776  
PHONE: (530) 666-8190  
FAX: (530) 666-8215

**TREASURER-TAX COLLECTOR**

PO BOX 1995  
WOODLAND, CA 95776  
PHONE: (530) 666-8625  
FAX: (530) 666-8708

July 3, 2014

Nicole C. Howard, C.P.A.  
Assistant Auditor-Controller  
County of Placer  
2970 Richardson Drive  
Auburn, CA 95603

Re: Placer County Internal Audit – External Quality Assessment

Dear Ms. Howard:

We have completed our external quality assessment (peer review) of the Placer County Internal Audit as prescribed by the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors. Our report is enclosed.

The Standards require that internal audit activities undergo a comprehensive external quality assessment at least once every five years. The assessment evaluates the quality of the internal audit activity and recommends areas for improvements. Surveys are used to provide feedback as to the internal audit activity's effectiveness and efficiencies.

The quality assessment was focused on internal audit projects during the peer review period July 1, 2008 to June 30, 2013. Our review consisted of: review of administrative documents and audit work papers; interviews with audit staff, management and other key county managers; and comparison with practices recommended by the Standards.

Based on our evaluation, the Placer County Internal Audit generally conforms to the Standards and has exemplified best practices within the internal audit function. The survey results provided useful information of the internal audit activity's operations and relationship with their audit clients.

We appreciate the courtesy and cooperation by the audit committee, audit management, internal audit staff and the county managers who had participated in the peer review process. Their time and effort towards this project made the process run smoothly and stay on track.

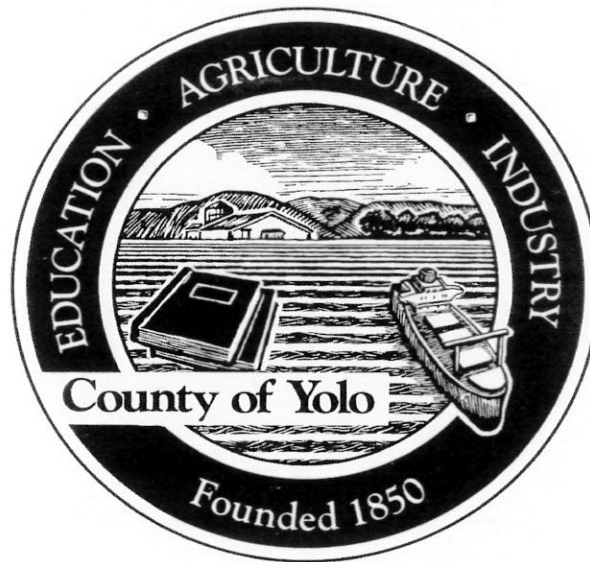
Sincerely,

Howard H. Newens, C.I.A., C.P.A.  
Auditor-Controller and Treasurer-Tax Collector

Cc: Andrew C. Sisk, Auditor-Controller

Enclosure

**COUNTY OF YOLO**  
**AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR**  
Internal Audit Division



**County of Placer**  
**Auditor-Controller's Office**  
External Quality Assessment of the Internal Audit Division  
July 1, 2008 to June 30, 2013

July 3, 2014

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## **I. PREFACE**

As part of the Peer Review program sponsored by the California State Association of County Auditors and as requested by the County of Placer Assistant Auditor-Controller, we have conducted a quality assessment of the internal audit activity of the county (Placer County Internal Audit) in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA).

## **II. SCOPE AND METHODOLOGY**

The quality assessment for Placer County Internal Audit was focused on internal audit projects during the peer review period July 1, 2008 to June 30, 2013. Standard 1312 require an external assessment of the internal audit activity be conducted at least once every five years to assess compliance with the standards and to evaluate the quality of the internal audit activity's operations.

Our review consisted of: review of administrative documents and audit work papers; interviews with audit staff, management and other key county managers; and comparison with practices recommended by the Standards.

## **III. CONCLUSION**

Based on the results of our work, we determined that the Placer County Internal Audit generally conforms to the Standards and Code of Ethics (See Attachment A, Standards Conformance Evaluation Summary) and has also incorporated best practices within the internal audit activity function.

We have reported the observations and recommendations below to Placer County's audit management for their consideration. Management's views and responses follow each of the recommendations.

According to the IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit division has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit division from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit division from performing adequately in all or significant areas of its responsibilities.

## **IV. BEST PRACTICES**

### ***A. Direct Interaction with the Board***

The Auditor-Controller and the Assistant Auditor-Controller (chief audit executive) regularly meets with the board (audit committee) to keep them apprised of the external and internal audits, financial reporting, and any compliance and internal controls matters. These individuals actively participate in countywide meetings and other committees to help with the board's oversight responsibilities.

### ***B. Professional Proficiency***

The Placer County Internal Audit individually and collectively possesses the knowledge, skills and other competencies needed to perform its responsibilities. The internal audit staff all has college degrees in accountancy and two auditors with additional professional designation as Certified Public Accountant (CPA). Placer County Internal Audit also provides 40 hours of continuing professional education for the internal audit staff every fiscal year.

## **V. INTERVIEW AND SURVEY RESULTS**

We interviewed members of the audit committee, executive management, chief audit executive and internal audit staff to assess proficiency in certain skills, competencies, or knowledge exhibited by the staff and management of the internal audit activity. In the following areas:

- Internal Audit Governance
- Internal Audit Staff
- Internal Audit Management
- Internal Audit Process

The interviewees made comments regarding the operations of the Placer County Internal Audit to the effect that the auditor-controller, chief audit executive and their staff were very professional and exceeds expectations. One improvement that the interviewees expressed is the need for additional staff within the internal audit division to provide more assurance countywide.

Surveys were also distributed to three audit clients and to all of the internal audit staff. Overall results revealed that the audit clients were satisfied with the Placer County Internal Audit services and pleased that documents are now accepted electronically to improve efficiencies. Additionally, the internal audit staff expressed their appreciation for a collaborative working environment and support given by the audit management for personal career development.

## **VI. OBSERVATIONS AND RECOMMENDATIONS**

### ***A. Risk-Based Audit Plan***

The internal audit plan is developed based on mandated audits, compliance audits, input from the audit committee, audit management and feedback from county managers. The last risk assessment performed was in year 2011 where surveys were used to identify business processes that were deemed high, medium and low risk for the county. IIA Standards 2010 & 2020 states that the “chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals, undertaken at least annually. The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems in the 1) achievement of the organization’s strategic objectives; 2) reliability and integrity of financial and operational information; 3) effectiveness and efficiency of operations and programs; 4) safeguarding of assets; and 5) compliance with



laws, regulations, policies procedures, and contracts.” Failure to assess the risk and exposures for the entire organization may result in internal audit resources being spent on areas with low risk while higher risk areas are being ignored.

***Recommendation***

We recommend that the chief audit executive consider using the Chartered Institute of Public Finance and Accountancy, Government Finance Officers Association financial model (CIPFA-GFOA FM) to assist them in reviewing financial management practices against best practices and to identify risk areas countywide that should be included in the audit plan.

***Audit Management's Response***

We agree with the auditor's recommendation regarding a risk-based audit plan and will look into the model referenced above or other risk assessment tools to be used annually during the development of the audit plan.

***B. Internal Assessments***

The internal audit activity has not strictly conformed to the requirement for a quality assurance program. The quality assurance and improvement program must include both internal and external assessments. Standard 1311 state that “internal assessments must include; 1) ongoing monitoring of the performance of the internal audit activity; and 2) periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.” Failure to conduct an internal assessment of the internal audit activity regularly may result in internal audit activities not being conducted in accordance with professional standards.

***Recommendation***

We recommend that the chief audit executive incorporate an internal assessment of the internal audit activity at least annually and report the results to the auditor-controller and audit committee.

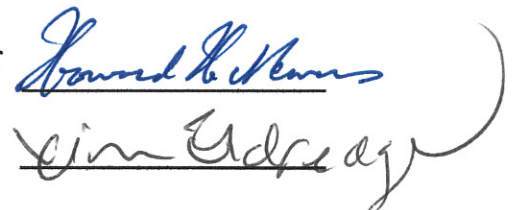
***Audit Management's Response***

We agree with the auditor's recommendation and will plan to utilize the IIA's Quality Assessment Manual for periodic internal assessments and report the results as noted above.

We appreciate the time and effort expended by the Placer County Internal Audit management and staff during this project and their professional and courteous attitude.

**Peer Review Team**

Team Leader: Howard H. Newens, CIA, CPA,  
Auditor-Controller and Treasurer-Tax Collector  
Team Member: Kim Eldredge, CGAP  
Senior Auditor

Handwritten signatures of Howard H. Newens and Kim Eldredge. The signature of Howard H. Newens is in blue ink and the signature of Kim Eldredge is in black ink.

Placer County Peer Review  
Standards Conformance Evaluation Summary  
June 30, 2013

OVERALL EVALUATION		GC	PC	DNC
<b>1000</b>	<b>Purpose, Authority, and Responsibility</b>	X		
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> in the Internal Audit Charter	X		
<b>1100</b>	<b>Independence and Objectivity</b>	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
<b>1200</b>	<b>Proficiency and Due Professional Care</b>	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
<b>1300</b>	<b>Quality Assurance and Improvement Program</b>		X	
1310	Requirements of the Quality Assurance and Improvement Program		X	
1311	Internal Assessments			X
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program		X	
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "		X	
1322	Disclosure of Nonconformance	X		
<b>2000</b>	<b>Managing the Internal Audit Activity</b>	X		
2010	Planning		X	
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	N/A	N/A	N/A

GC – Generally Conforms  
PC – Partially Conforms  
DC – Does Not Conform  
N/A – Not Applicable

Placer County Peer Review  
Standards Conformance Evaluation Summary  
June 30, 2013

OVERALL EVALUATION		GC	PC	DNC
<b>2100</b>	<b>Nature of Work</b>		X	
2110	Governance	X		
2120	Risk Management		X	
2130	Control		X	
<b>2200</b>	<b>Engagement Planning</b>	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
<b>2300</b>	<b>Performing the Engagement</b>	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
<b>2400</b>	<b>Communicating Results</b>	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	N/A	N/A	N/A
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	N/A	N/A	N/A
2431	Engagement Disclosure of Nonconformance	N/A	N/A	N/A
2440	Disseminating Results	X		
<b>2500</b>	<b>Monitoring Progress</b>	X		
<b>2600</b>	<b>Communicating the Acceptance of Risks</b>	X		
<b>IIA Code of Ethics</b>		X		

GC – Generally Conforms  
PC – Partially Conforms  
DNC – Does Not Conform  
N/A – Not Applicable